

PUBLIC DISCLOSURE

July 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hudson City Savings Bank
13074**

**West 80 Century Road
Paramus, New Jersey 07652**

**Federal Deposit Insurance Corporation
20 Exchange Place
New York, New York 10005**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Hudson City Savings Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **July 21, 2003**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The bank's last Community Reinvestment Evaluation was on August 14, 2000. The bank received an overall "Satisfactory" rating, with individual component ratings of "High Satisfactory" in the Lending Test, "Outstanding" in the Investment Test and "Low Satisfactory" in the Service Test.

This evaluation is based on an analysis of the bank's performance in each of the three areas during the last six months of 2000, and 2001 and 2002 in their entirety. Individual ratings for the Lending, Investment, and Service Tests are displayed on the matrix on page 3 of this Performance Evaluation. When determining an overall rating, performance under the Lending Test is weighted more heavily than performance under the Investment and Service tests. The bank's performance is summarized below.

Lending Test

- ✓ Lending levels reflect adequate responsiveness to assessment area credit needs.
- ✓ Although the trend is declining, an adequate proportion of loans originated or purchased during the review period has been made to customers within the bank's AA.
- ✓ The geographic distribution of the bank's lending activities represents an adequate distribution among the various geographies within the AA.
- ✓ The distribution of loans by borrower incomes is reasonable compared to the demographics of the assessment area and aggregate lending results.
- ✓ Community development lending activities reflect an adequate response to AA credit needs and the bank uses flexible loan programs to address the credit needs of low- or moderate-income individuals or geographies.

Investment Test

- ✓ Since the previous evaluation, the bank's portfolio of qualified investments has grown by \$78.5 million.
- ✓ As of December 31, 2002, qualified investments, including remaining balances of previously considered investments, total \$113.8 million and represent 1.52 percent of total investments and .76 percent of total assets.
- ✓ Although none of the investments are considered innovative or complex, the extensive volume purchased represents an excellent response to the affordable housing needs of individuals in the bank's AA or a broader region that includes the bank's AA.

Service Test

- ✓ Retail banking services, through the use of branches, ATMs, telephone banking and PC banking, continue to provide customers with reasonable access to the institution.
- ✓ The bank continues to provide an adequate level of community development services to organizations throughout the AA.

Refer to following information for a complete discussion of the institution's CRA performance.

LENDING, INVESTMENT, AND SERVICE TEST TABLE:

The following table indicates the performance level of the institution with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Hudson City Savings Bank		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding		X	
High Satisfactory			
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

DESCRIPTION OF HUDSON CITY SAVINGS BANK (HCSB):

HCSB is a \$14.9 billion full-service bank headquartered in Paramus, New Jersey. It remains a wholly owned subsidiary of Hudson City Bancorp (Bancorp). In July of 1999, HCSB reorganized from a mutual savings bank into a two-tiered holding company structure. As a result, HCSB remained a subsidiary of the Bancorp. In the reorganization, HCSB depositors and the public purchased 47 percent of the Bancorp's stock. The remaining 53 percent of the stock is owned by Hudson City-Mutual Holding Company, a New Jersey chartered mutual savings bank holding company. The mutual holding company does not engage in any business activity other than owning its investment in the Bancorp.

The bank currently operates 81 branch offices throughout 14 counties in New Jersey. Of these offices, 2 (3 percent) are located in low-income census tracts, 10 (12 percent) in moderate-income census tracts, 35 (43 percent) in middle-income census tracts, and the remaining 34 (42 percent) in upper-income census tracts. Two new branches have opened since the August 14, 2000, CRA evaluation: one in a moderate-income census tract in Whiting, Ocean County, and one in a middle-income tract in Midland Park, Bergen County. No offices have been closed during the same period. The bank has also received approval to open another branch in Hudson County, to be located in a middle-income census tract in Bayonne. Applications are also pending for two branches in Mercer County, to be located in East and West Windsor.

As of March 31, 2003, total assets were \$14.9 billion. Investments and loans were the largest assets. The bank's investment portfolio, consisting primarily of mortgage-backed securities and U.S. agency-sponsored securities, totaled \$7.5 billion and represented 50 percent of total assets and 77 percent of total deposits. The loan portfolio totaled \$6.9 billion and represented 46 percent of total assets and 71 percent of total deposits. Almost all of the bank's loans are secured by 1-4 family residential real estate (99.89 percent). Of these loans, 98.22 percent are secured by first liens. Loans not secured by 1-4 family residential real estate total \$7.4 million and represent a negligible part of the loan portfolio.

The following table presents the distribution of the bank's loan portfolio as of March 31, 2003.

Table A - Loan Distribution as of 03/31/2003		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
<i>Construction and Land Development</i>	\$0	0%
<i>Secured by Farmland</i>	\$0	0%
<i>1-4 Family Residential</i>	\$6,885,591	100%
<i>Multi-Family (5 or more) Residential</i>	\$5,709	0%
<i>Commercial</i>	\$633	0%
Total Real Estate Loans	\$6,891,933	100%
<i>Commercial and Industrial</i>	\$150	0%
<i>Agricultural</i>	\$0	0%
<i>Consumer</i>	\$639	0%
<i>Other</i>	\$230	0%
<i>Less: Unearned Income</i>	(\$0)	(0%)
Total Loans	\$6,892,952	100.0%

Source: Call Report RC-C

The bank's financial condition has remained strong since the previous evaluation. Total assets have grown 10 percent during 2000, 22 percent during 2001 and 24 percent during 2002. During the first quarter of 2003, total assets have grown at an annualized rate of 21 percent. Since the previous evaluation, assets have grown in excess of \$6 billion, with the majority of the funds raised placed into the investment portfolio (\$3.4 billion) and the loan portfolio (\$2.2 billion). Asset growth during the period has been funded with deposits (\$2.8 billion), borrowings (\$3.1 billion), and equity capital (\$34 million). The bank's return on average assets (ROAA), a key profitability ratio, has remained strong at 1.24 percent during 2000, 1.29 percent during 2001, and 1.48 percent during 2002. The annualized ratio for 2003 is 1.42 percent. During this period, the bank's profitability ratio has compared very favorably to its peer group, which consists of all FDIC-insured savings banks having assets in excess of \$1 billion. During the period, the bank's average ranking within its peer group for this ratio is in the 80th percentile. The bank's leverage capital ratio, calculated by measuring Tier 1 capital as a percentage of total assets, remains strong at 8.38 percent.

The bank's ability to meet community credit needs remains strong based on its financial condition, size and product offerings. There are no impediments which would impact the bank's ability to help meet the credit needs of the assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA (AA):

There have been no changes to HCSB's AA since the August 14, 2000 CRA evaluation. The AA has been defined as 1,341 census tracts throughout 14 counties and 7 Metropolitan Statistical Areas (MSAs) in New Jersey. Five of the MSAs (10 counties) are within Consolidated Metropolitan Statistical Area (CMSA) 70 (New York - Northern New Jersey Long Island). The remaining two MSAs (4 counties) are within CMSA 77 (Philadelphia - Wilmington - Atlantic City). All seven MSAs have been combined for analysis purposes and are presented as one assessment area. The bank's performance in each CMSA is presented separately at the end of this performance evaluation. A table providing several demographic characteristics of the geographies within the bank's AA is located on page 41 of this evaluation. The assessment area as presently defined meets the requirements of the Community Reinvestment Act.

HUD-Adjusted Median Family Incomes

The revised Community Reinvestment Act requires an evaluation of the bank's in-area loans based on borrower incomes. This information is used to evaluate the bank's performance in one section of the Lending Test. As a result, the Department of Housing and Urban Development (HUD) updates individual incomes annually. Borrower incomes are compared to HUD-adjusted median family income figures for the year in which the loan is granted. Borrowers are then categorized as low-, moderate-, middle-, or upper-income. The parameters for each income category are identical to those percentages used in categorizing census tracts. The following table provides the HUD-adjusted median family income figures for 2000, 2001, and 2002 for the seven MSAs in the bank's AA.

<i>Table B – HUD-Adjusted Median Family Incomes by MSA</i>				
		<i>HUD-Adjusted Income</i>		
<i>MSA</i>	<i>County</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
0560	Atlantic	\$49,500	\$49,800	\$51,800
0875	Bergen/Passaic	\$72,600	\$75,600	\$78,900
3640	Hudson	\$53,200	\$54,800	\$60,100
5015	Middlesex	\$80,800	\$85,000	\$90,000
5190	Monmouth/Ocean	\$63,100	\$65,600	\$69,900
5640	Essex/Morris/Union/Warren	\$70,600	\$74,000	\$78,700
6160	Burlington/Camden/Gloucester	\$57,800	\$60,100	\$63,300

Information Obtained from an Outside Contact

During this evaluation, a community organization located in Middlesex County was contacted. The purpose of the contact was to learn about the local economy and the credit needs of individuals in the local market. This contact was located in New Brunswick, the County Seat. According to the contact, the high cost of real estate in Middlesex County continues to be the primary barrier to home ownership, particularly for low- and moderate-income people. Banks without creative and flexible loan products will find it very difficult to satisfy the credit needs of this segment of the population, currently representing 40 percent of the households in HCSB's AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS :

Individual ratings for the Lending, Investment, and Service Tests are displayed on the matrix on page 3 of this performance evaluation. The bank's performance in each of these three areas is detailed below. The analysis considers the bank's overall lending, investment, and service performance in the entire AA during the last six months of 2000, and 2001 and 2002 in their entirety.

LENDING TEST

Scope of Test

The lending test evaluates the bank's record of helping to meet the credit needs of its AA by considering a bank's home mortgage, small business, and community development lending. The bank's lending performance will be evaluated pursuant to the following criteria: 1) lending activity, 2) geographic distribution, 3) borrower characteristics, 4) community development lending, and 5) innovative or flexible lending practices.

The FFIEC Consumer Compliance Task Force, on behalf of the FFIEC, has adopted 15 core tables, sequentially numbered 1-15, for inclusion in CRA Performance Evaluations. These tables are included in Appendix E of this evaluation. The core tables include data on lending volume, geographic and borrower distribution of loans, qualified investments, and branch information. These 15 tables are to be used for all institutions evaluated using the large institution CRA evaluation procedures. Each agency may supplement the core tables with additional tables to support the conclusions. The agencies have adopted the core tables in an effort to promote a more consistent presentation and analysis of data. Each CRA large bank performance evaluation must include all 15 core tables, unless the institution has not originated or purchased any loans in a particular category or has not elected to collect consumer loan data. Consequently, any tables not included in this Performance Evaluation were excluded because the institution has not originated or purchased any loans in the relevant category during the period under review and did not elect to collect consumer loan data.

Conclusion:

During the August 14, 2000 CRA Evaluation, the bank was assigned a rating of “High Satisfactory” under the Lending Test. Its performance was highlighted by an aggregate in-area percentage of 89 percent, a good distribution of in-area loans by both geography and borrower income, \$1.1 million of new community development loans, and flexible loan programs to meet the credit needs of the economically disadvantaged. Since the previous evaluation, the bank’s lending performance has declined. As a result, the assigned rating has been lowered to “Low Satisfactory.” The overall proportion of loans inside the assessment area, while an acceptable 66 percent of total loans originated or purchased during the review period, has declined each year. The 85 percent in-area ratio for the last six months of 2000 has declined to 60 percent during 2002. A more dramatic decline was noted in the proportion of dollars expended in the AA. During the same review period, the proportion of total dollars extended to AA borrowers declined from 85 percent to 49 percent. The distribution of in-area loans, by both geography and borrower income, is adequate. However, compared to its previous performance, the bank has not done as well in generating loans in moderate-income areas, or to low- and moderate-income borrowers. The majority of home purchase loans and refinances of home purchase loans have been extended to borrowers in upper-income geographies and to upper-income borrowers. The home improvement loan product is the only bank product that is consistently competitive across all geographic boundaries and borrower income categories. During this review period, the bank has originated \$926,000 in new community development loans and continues to offer several flexible loan programs.

A more complete description of the bank’s performance under the Lending Test follows.

Lending Activity

This performance criterion considers the number and amount of the bank’s home mortgage loans in the bank’s AA during the second half of 2000, 2001 and 2002. Table C presents the volume of loans originated in and outside the assessment area during the review period. The market share discussion considers the bank’s entire 2000 performance and is only being used to demonstrate the trend in the bank’s lending activity.

Conclusion:

Since the previous evaluation, the majority of the bank’s loans originated or purchased are to borrowers within the bank’s AA. However, due to the increasing volume of loans purchased, the proportion of in-area originations and purchases (by both number and dollar) has steadily declined. In fact, during 2002, the majority of the dollars of loans originated and purchased was to borrowers outside the bank’s AA. As a percentage of the total number of originations and purchases, loans purchased have increased from 16 percent during the last six months of 2000 to 36 percent during 2002. At the same time, the proportion of purchased loans to borrowers within the bank’s AA has dropped significantly from 84 percent during the last six months of 2000 to 13 percent during 2002 (by number) and 79 percent during the last six months of 2000 to 9 percent during 2002 (by dollar). The proportion of originations to in-area borrowers has remained steady at 87 percent during the 30-month review period.

In-area lending activity resulted in a market share of 2.52 percent during 2000 (entire year) and 1.89 percent during 2001. The drop can be attributed to a 25 percent increase in loans by the bank but an even larger increase in total loans in its market area by all lenders (67 percent). The only product with an improved market share during the two years was refinances of home purchase loans. While home purchase loans were the bank's largest product during 2000, refinances represented 47 percent of all in-area loans in 2001 and 59 percent during 2002. The bank's share of the market for refinances improved from .88 percent to 1.59 percent (2000 to 2001). Market share information detailing all loans originated and purchased in HCSB's AA, regardless of the location of the lender, is detailed each year in Aggregate Lending Data (Aggregate) published by the Federal Reserve Board. According to Aggregate results for 2000, the bank was the 9th ranked lender of 700 lenders originating or purchasing loans secured by properties in the bank's AA (180,928 total loans in the market). With the decline in market share during 2001, the bank's rank dropped to 13th among 736 lenders (301,440 total loans in the market). Leading lenders in the bank's AA during 2000 and 2001, not ranked by market share, include Fleet National Bank, Countrywide Home Loans, Sovereign Bank, GMAC Mortgage, Washington Mutual, and Wells Fargo. Aggregate results are not yet available for 2002.

Although the proportion of loans to in-area borrowers has steadily declined during the review period, the bank's overall performance under this criterion is adequate.

Table C – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<i>Home Mortgage</i>										
2000 (Jul-Dec)	2,031	85.44%	346	14.56%	2,377	\$414,984	84.93%	\$73,654	15.07%	\$488,638
2001	5,696	69.51%	2,499	30.49%	8,195	\$1,487,122	62.10%	\$907,555	37.90%	\$2,394,677
2002	6,939	60.21%	4,585	39.79%	11,524	\$1,766,659	49.37%	\$1,811,799	50.63%	\$3,578,458
Total	14,666	66.37%	7,430	33.63%	22,096	\$3,668,765	56.78%	\$2,793,008	43.22%	\$6,461,773

Source: All loan data provided by the bank.

Geographic Distribution

This performance criterion considers the geographic distribution of the bank's lending activities, based on the loan location, including the dispersion of lending in the bank's AA; and the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the bank's AA. Individual tables presenting the dispersion throughout the AA of the bank's home purchase, home improvement, and refinances of home purchase loans during the review period are located in Appendix E (Tables 2a, 3a, and 4a).

Conclusion:

The geographic distribution of the bank's lending activities represents an adequate distribution among the various geographies within the AA. The distribution by dollar volume, although not included herein, represents a similar lending pattern. Throughout the 30-month review period, the bank's performance remained relatively steady. Its overall performance in low-income geographies was adequate, results in moderate- and middle-income geographies lagged Aggregate results (by 17 percent in middle-income areas), and lending activity in upper-income geographies exceeded Aggregate results by almost 20 percent. The highest proportion of loans in low- and moderate-income geographies occurred in 2001, with 1.44 percent of all in-area loans in low-income areas and 11.32 percent in moderate-income areas. With the exception of home improvement loans, the bank's HMDA products did not compete too favorably with Aggregate results. While the bank's home purchase loans and refinances were very competitive in upper-income geographies, they struggled in the other areas. During the review period, the proportion of home purchase loans in upper-income geographies exceeded the Aggregate results, 50 percent to 31 percent. Similarly, refinances exceeded the Aggregate results, 61 percent to 36 percent. The bank's home improvement lending performance, on the other hand, was very competitive. The distribution of the 1,447 in-area loans was very good in low- and upper-income geographies and excellent in moderate-income areas, exceeding Aggregate results by 5 percent. During both 2000 and 2001, the home improvement product was the only product where the bank's market share in both low- and moderate-income geographies exceeded the bank's overall market share in the AA.

See Appendix E for additional details regarding the geographic distribution of the bank's lending activities.

Borrower Characteristics

This performance criterion considers the distribution, particularly in the bank's AA, of the bank's home mortgage loans, based on borrower characteristics, including the number and amount of home mortgage loans to low-, moderate-, middle-, and upper-income individuals.

Lending to borrowers of different incomes

HMDA loans were reviewed to evaluate the bank's performance under this category. Borrower incomes were compared to HUD-adjusted median family income figures for the year in which the loan was granted. Individual tables presenting the distribution by borrower income category of the bank's home purchase, home improvement, and refinances of home purchase loans during the review period are located in Appendix E (Tables 8a, 9a, and 10a).

Conclusion:

Similar to its geographic distribution performance, the bank's performance in this category represents an adequate distribution among the various borrower income categories. The distribution by dollar volume, although not included herein, represents a similar lending pattern. The success of the bank's home improvement program, previously credited with reaching low- and moderate-income areas, also did very well in attracting low- and moderate-income borrowers. Home purchase loans and refinances, on the other hand, were predominately granted to upper-income borrowers. Home purchase loans to these borrowers exceeded Aggregate results by 17 percent, while refinances exceeded Aggregate results by 21 percent. The success of the home improvement loan product was evident in the bank's ability to beat the Aggregate results by more than 4 percent in the low-income market and more than 5 percent in the moderate-income market. During both 2000 and 2001, the home improvement product was the only product where the bank's market share of loans to both low- and moderate-income borrowers exceeded the bank's overall market share in the AA.

See Appendix E for additional details regarding the borrower income distribution of the bank's lending activities.

Community Development Lending

This performance criterion considers the bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness.

Conclusion:

During the evaluation period, Hudson City Savings Bank originated an adequate level of community development loans. All but Loan #1 represent HCSB's continuing participation in community development projects facilitated by the Thrift Institutions Community Investment Corporation (TICIC), a statewide consortium of lending institutions that arranges funding for community development projects throughout New Jersey.

Loans originated during the review period

Since the previous evaluation, the bank originated eight new community development loans totaling \$926,000. Details of the individual projects follow. As none of the loans have been previously classified as HMDA or small business loans, they are all eligible for community development consideration herein.

- 1) September 2000 - a \$42,500 land development loan to a statewide non-profit housing corporation located in Newark, New Jersey. The term of this loan was 18 months, and has since been paid in full. The project involves the construction of 24 units of affordable housing. The overall mission of the organization supports the definition of community development as outlined in the CRA regulation.
- 2) October 2000 - this project involves the rehabilitation of two four-story buildings located in Newark, New Jersey. Upon completion of the rehabilitation, the buildings will provide 42 apartments dedicated to low- and moderate-income families. Nineteen two- and three-bedroom apartments, along with 22 one-bedroom apartments will be available for area residents. The developers of this project have been a major part of rehabilitation projects throughout the New York, New Jersey metropolitan area. The amount financed by TICIC totals \$500,000, of which HCSB contributed \$63,000, or 12.60 percent.
- 3) December 2000 - the project involves the rehabilitation of two four-story buildings in East Orange, New Jersey. Upon completion of the rehabilitation, the buildings will provide 50 units of low-income housing. The amount financed by TICIC totals \$1.4 million, of which HCSB contributed \$93,000, or 6.64 percent.
- 4) March 2001 - the project involves the acquisition of a building in Newark, New Jersey, by the borrower mentioned in Loan #1. The building is to be used as a job-training center for area residents and will also house a family services bureau and a visiting nurse service. The amount financed by TICIC totals \$1.05 million, of which HCSB contributed \$68,000, or 6.48 percent.

- 5) May 2001 - the project involves the development of two buildings in Newark, New Jersey into 128 units of affordable housing. The project will also include a daycare center and community room. A regional development group with extensive experience in the development of affordable housing projects is developing the project. The amount financed by TICIC totals \$1.7 million, of which HCSB contributed \$170,000, or 10 percent.
- 6) June 2001 - the project involves the construction of a 105 (104-rental) unit age-restricted, 13-story high rise apartment complex in North Bergen, Hudson County. Of the rental units, 94 will be one-bedroom units and 10 will be two-bedroom units. There will also be a superintendent's three-bedroom unit, an 8,000 square foot adult day care facility, and a 2,000 square foot community room. Rental units are reserved for low-income tenants, with annual income restrictions of \$17,900 (one person) and \$20,480 (two persons). One-bedroom units are expected to rent for \$426 per month and two-bedroom units are expected to rent for \$511 per month. The total cost of the project is approximately \$12,500,000. The amount financed by TICIC totals \$1.5 million, of which HCSB contributed \$163,000, or 10.87 percent.
- 7) February 2002 - the project involves the construction of a three-story, 9,000 square foot community center in Hoboken, New Jersey. The center will offer after-school tutoring and youth programs to area residents. It will also offer teen counseling, support groups, computer literacy, high school equivalency programs, and English training. As of December 31, 2002, \$135,000 of HCSB's \$181,000 commitment had been disbursed.
- 8) December 2002 - the project involves the acquisition and rehabilitation of five existing apartment buildings in Jersey City, New Jersey. Upon completion, the buildings will provide over 100 units of affordable housing. As of December 31, 2002, \$191,000 of HCSB's \$250,000 commitment had been disbursed.

Loans from previous CRA evaluation

During previous CRA Performance Evaluations, the bank was credited with originating eleven community development loans totaling \$1.8 million. The remaining balances of these loans as of December 31, 2002, total \$1.5 million.

Innovative or Flexible Lending Practices

This performance criterion considers the bank's use of flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies.

Conclusion:

Since the previous evaluation, the bank has continued its use of flexible loan programs to meet the credit needs of the economically disadvantaged.

The bank currently offers three programs tailored to the needs of low- and moderate-income borrowers. Each of these programs offers underwriting standards more flexible than the bank's regular loan programs, as well as reduced interest rates and fees.

The first program is a low- and moderate-income mortgage program offering qualifying borrowers up to 95 percent financing with the purchase of private mortgage insurance (PMI). Loans are granted up to \$200,000 in middle- and upper-income census tracts with no limit in low- and moderate-income census tracts. To qualify, an applicant's income cannot exceed 80 percent of the median income of the MSA in which the subject property is located. A $\frac{3}{4}$ percent discounted rate on the 30-year fixed-rate program, and $\frac{1}{2}$ percent on adjustable-rate mortgage (ARM) programs, is available to all eligible applicants and application fees are reduced by \$100. Debt ratio guidelines for eligibility range between 36 percent and 40 percent. Since the previous evaluation, 1,669 loans totaling over \$201 million were originated under this program.

The second program is a low- or moderate-income home improvement loan program. This program offers qualifying applicants various rate discounts on home improvement loans up to \$20,000. An applicant's income must not exceed 80 percent of the median income of the MSA in which the subject property is located. The program features a maximum loan-to-value ratio of 90 percent, flexible debt ratios, and no fees. Since the previous evaluation, 214 loans totaling over \$3.6 million were originated under this program. In 2002, a marketing program was initiated to reach low- and moderate-income borrowers. A special interest rate of 4 percent was offered to residents in low- and moderate-income census tracts. As of December 31, 2002, 209 loans totaling over \$2 million have been originated.

The third program offers first-time home buyers financing up to 90 percent of the value of the property with PMI required on all properties with loan to value ratios in excess of 80 percent. A discount of $\frac{1}{4}$ percent is offered on all loan programs. Since the previous evaluation, 99 loans totaling over \$13 million were originated under this program.

INVESTMENT TEST

Scope of Test

The investment test evaluates a bank's record of helping to meet the credit needs of its AA through qualified investments that benefit its AA or a broader statewide or regional area that includes the bank's AA. Qualified investments refer to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development. The bank's investment performance will be evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

Conclusion:

During the August 14, 2000 CRA Evaluation, the bank was credited with purchasing qualified investments totaling \$67.3 million and was rated "Outstanding." These investments were purchased during 1998, 1999, and the first six months of 2000. The remaining balances of these forty-six investments, all targeted mortgage-backed securities, total \$35.3 million. Since the previous evaluation, new qualified investments have increased by \$78.5 million. As of December 31, 2002, qualified investments, including remaining balances of previously considered investments, total \$113.8 million and represent 1.52 percent of total investments and .76 percent of total assets. While none of the investments are innovative or complex, the bank's new purchases, coupled with non-member share deposits in three Community Development Credit Unions and a reasonable volume of qualified grants and donations, demonstrates that HCSB has continued to perform at a very high level during this evaluation period. This performance warrants the continuation of the "Outstanding" rating.

New Investments

During the evaluation period, the bank purchased forty-six new investments totaling \$78.5 million. All investments are securities backed by mortgages to low- or moderate-income borrowers. Over 90 percent of the underlying mortgages are within the bank's AA and 100 percent of the mortgages are to low- or moderate-income borrowers.

Other Investments

The bank maintains three investments totaling \$125,000 in Community Development Credit Unions in the bank's AA. All three credit unions provide financial, nutritional, educational, and social services to low-income residents in their communities.

Grants and Donations

During the review period, the bank made grants and donations totaling \$358,000 to organizations whose primary purpose is community development. These organizations include the Housing Partnership of Morris County, Eva's Kitchen and Sheltering Program, Housing and Community Development Network of New Jersey, Oasis, Monmouth Housing Alliance, Christmas in April - Bergen County and Jersey City Chapters, Episcopal Community Development, Habitat for Humanity, North Hudson Community Action Corporation, New Jersey Community Loan Fund, Fairmont Housing Corporation, Interfaith Affiliated Congregations Community Development Credit Union, and St. Paul's Community Development Corporation.

SERVICE TEST

Scope of Test

The service test evaluates an institution's record of helping to meet the credit needs of its AA by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. An institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies.

An institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

Conclusion:

During the August 14, 2000 CRA Evaluation, the bank was rated "Low Satisfactory" under this test. While improved in certain areas, the bank's overall performance under this test remains adequate. As such, the rating of "Low Satisfactory" is continued.

Retail Banking Services

Retail banking services are provided by HCSB through the use of traditional bank branches, Automated Teller Machines (ATMs), telephone banking and on-line banking.

Branch Delivery System

The geographic distribution of the bank's branches does not compare favorably to the distribution of the census tracts within the bank's AA. While it compares more favorably to the distribution of households within the assessment area, there remains a concentration in more affluent areas. For example, 20 percent of the total households in the bank's AA are located in moderate-income areas, yet only 12 percent of the branches (10 branches) are in these areas. On the other hand, 25 percent of the total households are located in upper-income areas and these areas contain 42 percent of the branches (34 branches). The locations of the bank's branches do not necessarily inconvenience residents in low- or moderate-income areas, as several of these areas are adjacent to more affluent tracts containing branches. The only area that continues to appear under-served is Middlesex County. The one branch in the Southeast corner of the county appears insufficient to serve the entire county, which contains 174 census tracts, including 37 low- or moderate-income areas. Although two branches in Monmouth County (Marlboro and Freehold) might lessen the inconvenience, residents of New Brunswick, Perth Amboy, Woodbridge, and Carteret, appear to have lengthy commutes to visit a branch office. This concern was also noted in the August 14, 2000 CRA Evaluation. It should also be noted that the Middlesex County branch does not have an ATM.

Hours and days of operation at the branches are very reasonable, with Friday evening and Saturday hours at most locations. Also, most branches provide the convenience of drive-up windows and walk-up facilities. Hours appear consistent with other area financial institutions.

Branch Opening and Closing

Two new branches have opened since the August 14, 2000 CRA evaluation: one in a moderate-income census tract in Whiting, Ocean County, and one in a middle-income tract in Midland Park, Bergen County. No offices have been closed during the same period. The bank has also received approval to open another branch in Hudson County, to be located in a middle-income census tract in Bayonne. Applications are also pending for two branches in Mercer County, to be located in East Windsor and West Windsor. Neither branch will be located in a low- or moderate-income area.

Alternative Delivery Systems

Alternative delivery systems are methods used by banks to reach communities where there is no physical presence. The bank's alternative delivery systems consist of ATMs, telephone banking, and on-line banking.

The geographic distribution of the bank's ATM network has improved since the previous evaluation. The network currently contains 62 ATM machines. Several of the remaining branches without ATMs cannot accommodate machines due to physical or municipal restrictions.

Since the previous evaluation, the bank has implemented telephone and on-line banking.

Telephone Banking - In early 2001, the bank introduced a bank-by-phone service. Customers have access to their accounts 7 days per week, 24 hours per day. Services available include obtaining account information and transferring funds between accounts. The service is currently handling 40,000 - 45,000 calls per month.

Online Banking - In early 2002, the bank introduced online banking service through its website. Customers have access to their account 7 days per week, 24 hours per day. Services available include obtaining account information, transferring funds between accounts, making loan payments, and a bill payment feature.

Community Development Services

Given the size and resources available at Hudson City Savings Bank, it provides an adequate level of community development services. The bank allows employees time, during banking hours, to perform some of these services. Community development technical services have been provided to several educational organizations and affordable housing groups, including the Jersey City Housing Authority (rent collection services to low-income residents), Children's Aid and Family Services (employee serves as a member of the Board), Share Our Strength (an employee serves as Finance Director), New Community Development Loan Corporation (financial expertise provided to loan committee), Family Service of Morris County (bank disburses and services loans made to low- and moderate-income families), Table to Table, Inc. (bank employee is the Treasurer of this food rescue program), and Women Rising (bank disburses and services loans made under their Family Loan Program).

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

During a consumer compliance examination conducted concurrently with this CRA evaluation, the bank was cited for a substantive violation of the anti-discrimination sections of Regulation B (Equal Credit Opportunity). The nature of the violation involved discriminatory language contained in a home improvement loan application developed for a direct mailing to residents within the bank's assessment area. The language contained in the co-borrower section of the application implied that the bank requires the signature of an applicant's spouse or other property owners on both the application and the promissory note, thus violating the spousal signature provisions of Regulation B as well as the section regarding an applicant's right to apply for individual credit. A fair lending review conducted by the FDIC concluded that this application was only in circulation for approximately three months. More importantly, it was determined that the implied policy of requiring additional signatures on the application and note was never implemented. Hudson City Savings Bank permits married individuals to apply for individual credit and only requires the signatures of additional property owners on the mortgage to perfect its lien in the event of default. While a violation of Regulation B was cited, it did not warrant the lowering of the bank's overall CRA rating.

CONSOLIDATED METROPOLITAN AREAS

(for metropolitan areas with some or all assessment areas reviewed using the examination procedures)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CMSA 70:

The bank's defined AA within CMSA 70 consists of ten counties in their entirety in Central and Northern New Jersey. The vast majority of the census tracts, households, and owner-occupied housing units within the combined AA are in this CMSA (97 percent, 97 percent, and 96 percent, respectively). In this assessment area, the bank maintains 75 branches (93 percent of the total network) and operates 58 ATM machines.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CMSA 70:

LENDING TEST

The bank's performance in this CMSA is consistent with its overall performance. During the review period, all but 129 of the 14,666 in-area loans were originated within this area. This volume is very consistent with the proportion of branches, census tracts, housing units and households in relation to the entire assessment area. The distribution of in-area loans, by geography and income of the borrower, was relatively consistent with the demographics of the CMSA and Aggregate results. All of the community development loans originated during the review period benefited borrowers in this AA.

Refer to pages 7-14 for a complete description of the bank's performance under the Lending Test.

INVESTMENT TEST

The bank's performance under the Investment Test is consistent with its overall performance. Refer to pages 15-16 of this performance evaluation.

SERVICE TEST

The bank's performance under the Service Test is consistent with its overall performance. Refer to pages 16-18 of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CMSA 77:

The bank's defined AA within CMSA 77 consists of 45 census tracts within 5 partial counties in Southern New Jersey. The AA consists of six tracts in Atlantic County, twelve tracts in Burlington County, nineteen tracts in Camden County, and eight tracts in Gloucester County. The bank operates at least one branch in each county, with three in Camden County. The bank operates ATMs in four of the six branches, with none in the one branch in Gloucester County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CMSA 77:

LENDING TEST

Although the bank's presence in CMSA 77 is relatively small in relation to its entire AA, the bank's lending performance is weak. Loan volume is considered poor, given the fact that the bank only originated or purchased 129 loans in this AA during the 30-month review period. The bank originated or purchased 8 loans in Atlantic County, 19 loans in Burlington County, 34 loans in Gloucester County, and 68 loans in Camden County. While the bank did the greatest volume in Camden County, the total volume averages slightly more than two loans per month in this area. This volume is weak considering the fact that the bank operates three branches in Camden County. Also, none of the community development loans originated during the review period benefit businesses or families within CMSA 77.

Refer to pages 7-14 for a complete description of the bank's performance under the Lending Test.

INVESTMENT TEST

The bank's performance under the Investment Test is consistent with its overall performance. Refer to pages 15-16 of this performance evaluation.

SERVICE TEST

The bank's performance under the Service Test is consistent with its overall performance. Refer to pages 16-18 of this performance evaluation.

APPENDIX A

SCOPE OF EXAMINATION:

Hudson City Savings Bank
SCOPE OF EXAMINATION: Large Bank CRA Evaluation.
TIME PERIOD REVIEWED: Second half of 2000, 2001, and 2002.
PRODUCTS REVIEWED: HMDA loans.

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Full	Full-scope	Main Office	N/A

APPENDIX B

SUMMARY OF STATE AND MULTISTATE MSA RATINGS				
STATE OR MULTISTATE MSA NAME:	LENDING TEST RATING:	INVESTMENT TEST RATING:	SERVICE TEST RATING:	OVERALL STATE RATING:
N/A				

APPENDIX C - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX D - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

Institution ID: 30000013074 HUDSON CITY SAVINGS BANK

Table 1. Lending Volume

LENDING VOLUME		Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002						
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
HCSB	100.00	14,666	3,668,765	0	0	0	0	8	926	14,674	3,669,691	100.00

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From July 01, 2000 to December 31, 2002.

*** Deposit Data as of December 31, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

LENDING VOLUME		Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002								
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA*	Total Optional Loans		Small Business Real Estate		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	# Secured**	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:														
HCSB	0.00	0	0	0	0	0	0	0	0	0	0	0	0	100.00

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Optional Product Line(s) is From July 01, 2000 to December 31, 2002.

*** Deposit Data as of December 31, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: 30000013074 HUDSON CITY SAVINGS BANK

Table 1. Other Products

LENDING VOLUME		Geography: ENTIRE AA		Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002	
MA/Assessment Area (2002):	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
Full Review:					
HCSB	0	0	0	0	

* The evaluation period for Optional Product Line(s) is From July 01, 2000 to December 31, 2002.

Table2a. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
HCSB	6,276	100.00	1.26	1.72	14.02	11.04	51.29	37.46	33.44	49.76	2.06	14.99	52.23	30.69

* Based on 2001 Peer Mortgage Data: US & PR.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 3a. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
HCSB	1,447	100.00	1.26	1.45	14.02	16.86	51.29	41.95	33.44	39.74	1.46	12.21	52.91	33.41

* Based on 2001 Peer Mortgage Data: US & PR.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 4a. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
HCSB	6,943	100.00	1.26	0.79	14.02	8.69	51.29	29.97	33.44	60.52	1.05	11.05	51.51	36.35

* Based on 2001 Peer Mortgage Data: US & PR.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 5a. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
HCSB	0	0.00	11.55	0.00	26.64	0.00	48.55	0.00	13.24	0.00	11.76	40.18	39.28	8.78

* Based on 2001 Peer Mortgage Data: US & PR.

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

Table 8a. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
HCSB	6,276	100.00	19.28	3.79	18.41	15.97	23.84	17.33	38.46	62.91	5.72	19.93	28.33	46.02

* Based on 2001 Peer Mortgage Data: US & PR.

** As a percentage of loans with borrower income information available. No information was available for 2.15% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 9a. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Improvement		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	Loans% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
HCSB	1,447	100.00	19.28	11.40	18.41	24.19	23.84	26.12	38.46	38.29	7.11	18.94	28.86	45.10

* Based on 2001 Peer Mortgage Data: US & PR.

** As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 10a. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE				Geography: ENTIRE AA				Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp	
Full Review:															
HCSB	6,943	100.00	19.28	2.97	18.41	10.15	23.84	15.81	38.46	71.07	4.87	16.70	28.06	50.38	

* Based on 2001 Peer Mortgage Data: US & PR.

** As a percentage of loans with borrower income information available. No information was available for 4.81% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: ENTIRE AA		Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002					
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
HCSB	46	35,300	46	78,500	92	113,800	100.00	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS								Geography: ENTIRE AA		Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
HCSB	100.00	81	100	2.47	12.35	43.21	41.98	2	0	0	1	1	0	5.04	19.78	48.57	26.49

Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM								Geography: ENTIRE AA		Evaluation Period: JULY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Deposits	Branches						ATMs						Population			
	% of Rated Area Deposits in AA	# of BANK Branches in AA	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
HCSB	100.00	81	100	2.47	12.35	43.21	41.98	62	100.00	1	6	31	24	5.04	19.78	48.57	26.49

HCSB

Demographic Information for Full Scope Area: HCSB						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,341	7.38	19.16	44.22	24.01	5.22
Population by Geography	5,363,552	5.04	19.78	48.57	26.49	0.12
Owner-Occupied Housing by Geography	1,205,347	1.26	14.02	51.29	33.44	0.00
Business by Geography	314,599	4.10	14.09	49.24	32.48	0.08
Farms by Geography	5,440	0.57	7.57	50.59	41.23	0.04
Family Distribution by Income Level	1,414,269	19.28	18.41	23.84	38.46	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	533,098	9.13	30.52	46.88	13.47	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		48,649 75,900 7.88%	Median Housing Value Unemployment Rate (1990 US Census)		175,941 3.23%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 US Census and 2002 HUD updated MFI